

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Roscommon County Transportation Authorit	County Roscommon
Fiscal Year End 9/30/07	Opinion Date 10/24/07	Date Audit Report Submitted to State 1/13/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

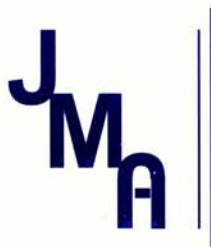
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number 989-563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sigr 	<small>Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, o=US, ou=James M. Anderson, P.C., email=jma@m33access.com Date: 2008.01.13 16:24:12 -05'00'</small>	Printed Name James M. Anderson, CPA		License Number 1101017419

**ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
AUDIT REPORT
SEPTEMBER 30, 2007**

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-18
Supplemental Information:	
Schedule 1 - Operating Revenues	19
Schedule 2 - Operating Expenses	20
Schedule 3 - Non-Operating Revenues	21
Schedule 4 - Schedule of Contributed Equity	22
Schedule 5 - Capital Contracts	23
Schedule 6 - Expenses by Contract and General Operations	24
Schedule 7 - Net Eligible Costs Computations of General Operations	25
Schedule 8 - Detail of Ineligible Expenses and Revenues	26
Auditor's Disclaimer Regarding Schedules 9 and 10	27
Schedules 9 and 10 - Mileage Data, Vehicle Hours and Passengers	28
Compliance Reports:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29-31



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

October 24, 2007

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, MI 48651

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements of the Roscommon County Transportation Authority, as of and for the year ended September 30, 2007, as listed in the table of contents. These statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of The United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

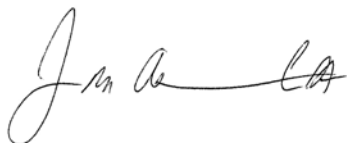
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Roscommon County Transportation Authority, as of September 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

In accordance with Government Auditing Standards, I have also issued a report dated October 24, 2007, on my consideration of the Roscommon County Transportation Authority internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The managements discussion and analysis and budgetary comparison information on pages 3-7, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Roscommon County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Roscommon County Transportation Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in cursive script, appearing to read 'J M Anderson', written in dark ink.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

Using this Annual Report

Our discussion and analysis of the Roscommon County Transportation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Authority and present a longer-term view of the Authority's finances.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Authority:

- . The first two statements are financial statements that provide both long-term and short-term information about the Authority's overall financial status. These statements report information about the Authority, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. The two statements report the Authority's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Authority's financial health or position.
- . The remaining statement is a Statement of Cash Flows to demonstrate the activities of the Authority as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Transit Authority as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Revenues, Expenses, and change in Net Assets report information about the Authority, as a whole, and about its activities in a way that helps answer the question of whether the Authority, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received and paid.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2007

The two statements, mentioned above, report the Authority's net assets and how they have changed. The reader can think of the Authority's net assets (the difference between assets and liabilities) as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Authority you need to consider additional non-financial factors such as changes in the County's property tax base, the condition of the Authority's vehicles, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Transit Authority as Whole

The Authority's net assets increased approximately 7%, or \$159,856, from \$2,261,121 to \$2,420,977 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position improved in 2007. The unrestricted net assets decreased by \$161,446 and the net contributed equity and investment in capital assets increased by \$321,302. The primary reasons for the net increase was the increase in total revenue of \$41,129 and net increase of expenses of \$23,524.

The net assets as of the year ended September 30, 2007, are as follows:

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$1,503,022	\$1,767,249	\$(264,227)	(14.95)
Capital Assets	<u>1,002,886</u>	<u>681,584</u>	<u>321,302</u>	<u>47.14</u>
Total Assets	<u>2,505,908</u>	<u>2,448,833</u>	<u>57,075</u>	<u>2.33</u>
Current Liabilities	46,185	141,430	(95,245)	(67.34)
Noncurrent Liabilities	<u>38,746</u>	<u>46,282</u>	<u>(7,536)</u>	<u>(16.28)</u>
Total Liabilities	<u>84,931</u>	<u>187,712</u>	<u>(102,781)</u>	<u>(54.75)</u>
Net Assets				
Contributed equity	47,679	68,185	(20,506)	(30.07)
Invested in Capital Assets	955,207	613,399	341,808	55.72
Unrestricted	<u>1,418,091</u>	<u>1,579,537</u>	<u>(161,446)</u>	<u>(10.22)</u>
Total Net Assets	<u>\$2,420,977</u>	<u>\$2,261,121</u>	<u>\$ 159,856</u>	<u>7.07</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2007

Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 171,380	\$ 192,919	\$ (21,539)	(11.16)
Nonoperating Revenue				
Taxes Levied for Authority	570,757	550,834	19,923	3.62
State of Michigan Operating Grants	589,449	617,863	(28,414)	(4.60)
Federal Operating Grants	268,645	265,125	3,520	1.33
County Grants	-0-	19,659	(19,659)	(100.00)
Capital Grants	152,291	23,124	129,167	558.58
Interest	81,210	84,519	(3,309)	(3.91)
Gain on Sale of Fixed Assets	<u>4,750</u>	<u>43,310</u>	<u>(38,560)</u>	<u>(89.03)</u>
Total Revenue	<u>1,838,482</u>	<u>1,797,353</u>	<u>41,129</u>	<u>2.29</u>
Operating Expense				
Salaries and Wages	754,169	744,983	9,186	1.23
Fringe Benefits	323,615	360,315	(36,700)	(10.18)
Depreciation	164,987	158,345	6,642	4.19
Other	<u>435,855</u>	<u>391,459</u>	<u>44,396</u>	<u>11.34</u>
Total Operating Expense	<u>1,678,626</u>	<u>1,655,102</u>	<u>23,524</u>	<u>1.42</u>
Income (Loss)	159,856	142,251	17,605	12.38
Beginning Net Assets	<u>2,261,121</u>	<u>2,118,870</u>	<u>142,251</u>	<u>6.71</u>
Ending Net Assets	<u>\$2,420,977</u>	<u>\$2,261,121</u>	<u>\$ 159,856</u>	<u>7.07</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2007

Capital Asset and Debt Administration

At September 30, 2007, the Authority had \$1,002,886 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$321,302 or 47.14% as follows:

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change 2006-2007</u>
Capital Assets Not Being Depreciated			
Land	\$ <u>-0-</u>	\$ <u>-0-</u>	<u>0.00</u>
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building	1,186,248	862,030	37.61
Vehicles	1,058,424	1,019,659	3.80
Equipment	<u>257,519</u>	<u>252,830</u>	<u>1.85</u>
Subtotal	<u>2,502,191</u>	<u>2,134,519</u>	<u>17.22</u>
Total Capital Assets	<u>2,502,191</u>	<u>2,134,519</u>	<u>17.22</u>
Total Accumulated Depreciation	<u>1,499,305</u>	<u>1,452,935</u>	<u>3.19</u>
Total Net Capital Assets	<u><u>\$1,002,886</u></u>	<u><u>\$ 681,584</u></u>	<u><u>47.14</u></u>

Please refer to the notes of the financial statements for more detailed information.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2007

Economic Factors and Next Year's Budget

Overview

The financial position of Roscommon County Transportation Authority remains strong as reported in this September 30, 2007 audit. There were no OSHA personal injury loss of work claims to report and no major vehicular accidents. Roscommon County Transportation Authority is not involved in any litigation nor are we aware of any litigation pending. The level of staffing has increased slightly with the possibility of a few additional part time positions being added to accommodate the significant rider-ship increases we are experiencing. The Authority's capital assets continue to improve. Constant maintenance and repair of our current capital assets insuring continued value as reported in the annual audit report.

Financial Status

The Roscommon County Transportation Authority remains financially sound as reflected through this audit report dated September 30, 2007. In the event State and Federal funding were to cease Roscommon County Transportation Authority could continue to operate for approximately 6 (six) months with the ability to shutdown this transportation program in a responsible manner leaving no unmet financial obligations.

Financial support from the State was reduced significantly in 2007 however, our administrative restructuring from the prior fiscal year allowed for this reduction to be absorbed without much impact. Because of Strategic Planning provided by our Authority Board we were able to offset some of the direct costs associated with one of our most expensive operating expenditures by installing an onsite fueling station. Direct purchasing through a bid process has stabilized the cost significantly. Considering the possibility of future reductions in State Operating Assistance and Capital Funding could prove to be very difficult for this system to offset.

With 2008 comes the reality of our first Authority operating millage. Successful passage of this millage is imperative if we are to continue the level of commitment and service our residents have come to expect. Continuing education for the public about our transportation program through meetings, presentations, and unending discussion will insure our local funding levels will be in place for our transportation program well into the future.

Maureen W. Daugherty
Executive Director

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

ASSETS

Current

Cash and investments	\$ 1,416,390
Accounts receivable	12,246
Interest receivable	15,942
Due from governmental units	<u>58,444</u>

Total Current Assets 1,503,022

Property and Equipment, less accumulated depreciation 1,002,886

Total Assets 2,505,908

LIABILITIES

Current Liabilities

Accounts payable	17,035
Accrued payroll	21,961
Due to other governmental units	<u>7,189</u>

Total Current Liabilities 46,185

Noncurrent Liabilities

Accrued compensated absences 38,746

Total Liabilities 84,931

NET ASSETS

Contributed capital	47,679
Invested in Capital Assets, net of related debt	955,207
Unrestricted	<u>1,418,091</u>

Total Net Assets \$ 2,420,977

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2007

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 171,380
Total operating revenues	<u>171,380</u>
Operating Expenses	
Salaries and wages	754,169
Fringe benefits	323,615
Services	18,712
Materials and supplies	282,419
Utilities	27,942
Casualty and liability insurance	71,650
Miscellaneous	35,132
Depreciation	<u>164,987</u>
Total operating expenses	<u>1,678,626</u>
Operating income (loss)	<u>(1,507,246)</u>
Non-operating Revenues (expenses)	
Property taxes	570,757
Federal	268,645
State	589,449
State and Federal capital grants	152,291
Interest/investment income	81,210
Gain on sale of fixed assets	<u>4,750</u>
Total non-operating revenues	<u>1,667,102</u>
Change in Net Assets	159,856
Net Assets - October 1, 2006	<u>2,261,121</u>
Net Assets - September 30, 2007	<u><u>\$ 2,420,977</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2007

Cash flows from operating activities	
Cash receipts from operations	\$ 215,673
Cash payments for supplies and services	(453,134)
Cash payments for employee services and fringes	<u>(1,078,070)</u>
Net cash provided (used) by operating activities	<u>(1,315,531)</u>
Cash flows from noncapital financing activities	
Property taxes	570,757
Federal operating grants	268,645
State operating grants	<u>606,614</u>
Net cash provided (used) by noncapital financing activities	<u>1,446,016</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	152,291
Purchase of fixed assets	(486,289)
Sale of Fixed Assets	<u>4,750</u>
Net cash provided (used) by capital and related financing activities	<u>(329,248)</u>
Cash flows from investing activities	
Investment income	<u>81,210</u>
Net cash provided (used) by investing activities	<u>81,210</u>
Net increase (decrease) in cash and cash equivalents	(117,553)
Cash and Cash Equivalents - October 1, 2006	<u>1,533,943</u>
Cash and Cash Equivalents - September 30, 2007	<u><u>\$ 1,416,390</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2007

Reconciliation of operating income to net
cash provided by operating activities:

Operating income (loss) \$(1,507,246)

Adjustments to reconcile operating income to net
cash provided by operating activities:

Depreciation	164,987
Decrease (increase) in accounts receivable	44,293
Decrease (increase) in interest receivable	(10,496)
Increase (decrease) in accounts payable	(6,783)
Increase (decrease) in accrued liabilities	<u>(286)</u>

Total adjustments 191,715

Net cash provided (used) by operating activities \$(1,315,531)

The accompanying notes are an integral part of the financial statements.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE A - DESCRIPTION OF THE REPORTING ENTITY

The Authority was organized in 2004 under Public Act 196 of 1986 as a successor to the Roscommon Mini-Bus System. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transit services to the general public within Roscommon County.

NOTE B - DESCRIPTION OF FUNDS

Enterprise Fund

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roscommon County Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting - The accrual basis of accounting is followed by the Authority. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Inventories - Inventories of replacement parts are not maintained and fuel is expensed when purchased. Office supplies are not included in inventories.

Capital Assets - Capital assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives. The Authority's policy is to capitalize qualified purchases in excess of \$1,000 unless they are part of a capital grant where as there is no minimum threshold.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes - Current property taxes are levied as of December 1 each year and attach an enforceable lien on the property. Current property taxes levied are collected by other local units of government until the subsequent year when revenue is recognized for the current budget year. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the Roscommon County's Trust and Agency Fund. The Authority subsequently receives its portion of the levy from this fund.

Contributed Capital - Prior to October 1, 2001, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 10/01/06	Additions	Deductions	Balance 9/30/07
Building and Improvements	\$ 862,030	\$ 324,218	\$ -0-	\$ 1,186,248
Vehicles	1,019,659	152,292	113,527	1,058,424
Shop Equipment	106,896	3,045	5,090	104,851
Office Equipment	145,934	6,734	-0-	152,668
Totals	<u>\$ 2,134,519</u>	<u>\$ 486,289</u>	<u>\$ 118,617</u>	2,502,191
Accumulated Depreciation	<u>\$ 1,452,935</u>	<u>\$ 164,987</u>	<u>\$ 118,617</u>	1,499,305
Net Property and Equipment				<u>\$ 1,002,886</u>

Depreciation expense for fiscal year ending September 30, 2007 was \$164,987.

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	3-15 years
Office equipment	3-10 years
Computer equipment	3-7 years
Building	4-20 years

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE E - PENSION PLAN

The Authority employees participate in the Roscommon County Transportation Authority retirement plan. A description of that plan follows:

Description of Plan and Plan Assets

The Roscommon County Transportation Authority is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement Systems (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent time the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 MSA 5.333(a): MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost

During the fiscal year ended December 31, 2006, the Authority's contributions totaling \$76,833 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE E - PENSION PLAN (CONTINUED)

Components of the Actuarial Accrued Liability at December 31, 2006 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 176,480
Terminated employees (vested former members) not yet receiving benefits	114,511
Non-vested terminated employees (pending refunds of accumulated member contributions)	-0-
Current employee contributions - Including allocated investment income	4,471
Employer financed contributions - Including allocated investment income	<u>1,197,964</u>
Total Actuarial Accrued Liability	1,493,426
Net Assets Available for Benefits at Actuarial Value (Market Value (1,153,607))	<u>1,137,692</u>
Unfunded Actuarial Accrued Liability	<u>\$ 355,734</u>

For the fiscal year beginning October 1, 2008 the Annual Required Contribution is \$76,836. The amortization factor used is .054719.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 72,446	100%	\$ -0-
2005	79,043	100%	-0-
2006	76,833	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2004	\$ 870,368	\$ 1,097,142	\$ 226,774	79%	\$ 559,000	41%
2005	1,002,298	1,386,016	383,718	72%	575,279	67%
2006	1,137,692	1,493,426	355,734	76%	565,362	63%

NOTE F - COMPENSATED ABSENCES

The current portion of compensated absences benefits are recorded as expenditures. Employees are eligible to receive $\frac{1}{2}$ of sick pay benefits and 100% of vacation pay benefits accrued at year-end.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE G - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$1,416,390	Petty Cash	\$ 200
		Checking and Savings Accounts	216,190
		Certificate of Deposits	<u>1,200,000</u>
Total	<u>\$1,416,390</u>		<u>\$1,416,390</u>

Deposits - At year end, the carrying amount of the Authority's deposits was \$1,416,390 and the bank balance was \$1,419,864. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, approximately 36% of the total bank balance was covered by federal depository insurance.

Investments - Act 217, PA 1982, authorizes the Authority to deposit and invest in the following:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or Federal agency obligation repurchase agreements
- (e) bankers' acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE G - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE H - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the federal Government and State of Michigan, to the Authority, for the purchase of buildings, buses and equipment. Depreciation on buildings, buses and equipment purchased with State and Federal Funds is charged against this account. Depreciation of fixed assets purchased with Contributed Capital, for the same period was \$20,506.

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants are recorded as revenue on the Statement of Revenues, Expenses and Changes in Retained Earnings. For the year ended September 30, 2007 \$152,291 of State/Federal Capital Grants were recorded as revenue.

NOTE I - CAPITAL GRANTS

The Transit Authority has contracted with federal and state agencies for grant funds to purchase facilities and equipment. All of the monies that the Authority is now eligible to receive have not yet been disbursed to them, as the projects have not yet been completed. As of September 30, 2007, \$380,000 is still available to the Authority under those grants.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2007

NOTE J - RISK MANAGEMENT

The Transit Authority is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The Transit Authority participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of MMRMA is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The Transit Authority makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The Transit Authority is a state pool member and has deductibles which differ for each type of coverage.

The Transit Authority has insurance coverage for workers' compensation provided by the Michigan Counties Worker's Comp Fund.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
OPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2007

Operating Revenues

Demand-response (farebox)	<u>\$ 171,380</u>
---------------------------	-------------------

Total Operating Revenues	<u><u>\$ 171,380</u></u>
--------------------------	--------------------------

SCHEDULE 2

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
OPERATING EXPENSES
YEAR ENDED SEPTEMBER 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 422,261	\$ -0-	\$ -0-	\$ 422,261
Other salaries and wages	128,956	105,465	97,487	331,908
Fringe Benefits	242,109	50,543	30,963	323,615
Services	3,825	10,717	4,170	18,712
Materials and Supplies Consumed				
Fuel and lubricants	211,663	-0-	-0-	211,663
Tires	-0-	4,403	-0-	4,403
Other materials and supplies	4,293	43,030	19,030	66,353
Utilities	-0-	-0-	27,942	27,942
Casualty and Liability Costs				
Premiums for public liability and property damage insurance	71,650	-0-	-0-	71,650
Miscellaneous Expenses				
Travel and meetings	-0-	-0-	7,407	7,407
Advertising/promotion media	14,715	-0-	-0-	14,715
Legal & Professional	-0-	-0-	9,267	9,267
Other	-0-	-0-	3,743	3,743
Depreciation	<u>140,447</u>	<u>6,669</u>	<u>17,871</u>	<u>164,987</u>
Total Expenses	<u>\$ 1,239,919</u>	<u>\$ 220,827</u>	<u>\$ 217,880</u>	<u>\$1,678,626</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NONOPERATING REVENUES
YEAR ENDED SEPTEMBER 30, 2007

Local Operating Grants	
Tax Levy	<u>\$ 570,757</u>
Subtotal Local Operating Grants	<u>570,757</u>
State of Michigan Operating Grants	
Formula Operating Assistance (Act 51)	584,929
R-Tap	<u>4,520</u>
Subtotal State of Michigan Operating Grants	<u>589,449</u>
Federal Operating Grants	
U.S. DOT Operating Grant - Section 5311	<u>268,645</u>
State Capital Grants	<u>152,291</u>
Interest Income	<u>81,210</u>
Gain on Sale of Assets	<u>4,750</u>
Total Nonoperating Revenues	<u><u>\$ 1,667,102</u></u>

SCHEDULE 4ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF CONTRIBUTED EQUITY
YEAR ENDED SEPTEMBER 30, 2007

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Balance, October 1, 2006	\$ 15,695	\$ 52,490	\$ 68,185
Deduct			
Depreciation on assets purchased from contributed equity	<u>(5,057)</u>	<u>(15,449)</u>	<u>(20,506)</u>
Balance, September 30, 2007	<u>\$ 10,638</u>	<u>\$ 37,041</u>	<u>\$ 47,679</u>

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
CAPITAL CONTRACTS
YEAR ENDED SEPTEMBER 30, 2007

Grantor: State of Michigan - Department of Transportation

Contract or Project Number:	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
# 2005-0345/Z3	\$ 126,750	\$ 118,070	\$ 8,680	\$ -0-
# 2005-0345/Z6	60,736	-0-	51,790	8,946
# 2005-0345/Z8	54,040	-0-	51,821	2,219
# 2005-0345/Z9	40,000	-0-	40,000	-0-
# 2005-0345/Z10	228,900	-0-	-0-	228,900
# 2005-0345/Z11	51,644	-0-	-0-	51,644
# 2007-0282/Z2	54,625	-0-	-0-	54,625
# 2007-0282/Z3	<u>33,666</u>	<u>-0-</u>	<u>-0-</u>	<u>33,666</u>
	<u>\$ 650,361</u>	<u>\$ 118,070</u>	<u>\$ 152,291</u>	<u>\$ 380,000</u>

SCHEDULE 6

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
EXPENSES BY CONTRACT AND GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2007

	<u>Section 5311</u>	<u>Total</u>
Labor	\$ 754,169	\$ 754,169
Fringe benefits	323,615	323,615
Services	18,712	18,712
Materials and supplies consumed	282,419	282,419
Utilities	27,942	27,942
Casualty and liability costs	71,650	71,650
Miscellaneous	35,132	35,132
Depreciation	<u>164,987</u>	<u>164,987</u>
Total	1,678,626	1,678,626
Less		
Ineligible Expenses	<u>98,360</u>	<u>98,360</u>
Total Eligible Expenses	<u><u>\$ 1,580,266</u></u>	<u><u>\$ 1,580,266</u></u>

SCHEDULE 7

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS
YEAR ENDED SEPTEMBER 30, 2007

	2007-0282/Z1 Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 754,169	\$ 754,169
Fringe benefits	323,615	323,615
Services	18,712	18,712
Materials & supplies	282,419	282,419
Utilities	27,942	27,942
Casualty & liability costs	71,650	71,650
Miscellaneous	35,132	35,132
Depreciation	<u>164,987</u>	<u>164,987</u>
Total Expense	1,678,626	1,678,626
Less Ineligible Expenses		
Depreciation	89,462	89,462
R-TAP	4,520	4,520
MPTA Dues	128	128
Annual Audit Fees	<u>4,250</u>	<u>-0-</u>
Net Eligible Expenses	<u>\$ 1,580,266</u>	<u>\$ 1,584,516</u>
Maximum Section 5311 Reimbursement (17.0%) not to exceed \$288,963	<u>\$ 268,645</u>	
State Operating Assistance		<u>\$ 611,953</u>

Federal Section 5311 expenses are only those expenses incurred in providing service to nonurbanized areas. The State Operating Assistance is computed at 38.6208% of the current eligible expenses for the year ended September 30, 2007.

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
DETAIL OF INELIGIBLE EXPENSES
YEAR ENDED SEPTEMBER 30, 2007

Depreciation

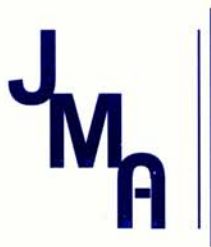
Depreciation accrued by public operators is ineligible according to UMTA C 9050, 1A, Page V-4. Depreciation of \$75,525 was expensed on items purchased with local funds which is considered an eligible expense.

Annual Audit Fees

Any Transit Agency that expends less than \$500,000 in federal funds must subtract out the cost of the annual audit as an ineligible expense under Section 5311. Therefore, \$4,250 has been treated as ineligible for Section 5311 purposes.

MPTA Dues

7.05% of MPTA dues are considered ineligible for reimbursement under State Operating Assistance and Section 5311 Operating Assistance Programs for the year ended September 30, 2007.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

October 24, 2007

Board of Directors
Roscommon County Transportation Authority
2665 S. Townline Road
Prudenville, Michigan 48651

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2007, follows. This supplemental information was not audited by me and accordingly, I do not express an opinion on it. However, I have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J M Anderson", is written over the printed name.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

ROSCOMMON COUNTY TRANSPORTATION AUTHORITY
MILEAGE DATA, VEHICLE HOURS AND PASSENGERS (UNAUDITED)
YEAR ENDED SEPTEMBER 30, 2007

	<u>Public Transportation Mileage</u>	<u>Vehicle Hours</u>	<u>Regular Passengers</u>	<u>Senior Passengers</u>	<u>Disabled Passengers</u>	<u>Senior Disabled Passengers</u>
DEMAND- RESPONSE						
1st Quarter	156,652	7,276	9,333	3,458	8,861	660
2nd Quarter	170,970	7,590	11,687	3,752	9,746	676
3rd Quarter	170,882	7,599	11,568	4,137	10,023	703
4th Quarter	<u>167,939</u>	<u>7,547</u>	<u>11,337</u>	<u>3,992</u>	<u>10,330</u>	<u>814</u>
TOTAL OPERATIONS	<u><u>666,443</u></u>	<u><u>30,012</u></u>	<u><u>43,925</u></u>	<u><u>15,339</u></u>	<u><u>38,960</u></u>	<u><u>2,853</u></u>

See Auditor's Disclaimer on Preceding Page.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 24, 2007

Board of Directors
Roscommon County Transportation Authority
2665 Townline Road
Prudenville, MI 48651

Dear Board:

I have audited the accompanying financial statements of the business-type activity and major fund which collectively comprise the basic financial statements of the Roscommon County Transportation Authority for the year ended September 30, 2007, and issued my report thereon dated October 24, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Roscommon County Transportation Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Roscommon County Transportation Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

MEMBER MACPA and AICPA

Financial Statement Preparation

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Authority has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Authority's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

A Control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Roscommon County Transportation Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above I consider to be material weakness.

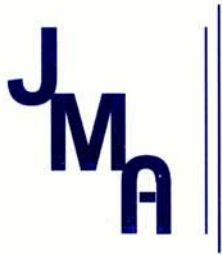
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Roscommon County Transportation Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and Board of Directors, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

October 24, 2007

Board of Directors
Roscommon County Transportation Authority
2665 Townline Road
Prudenville, MI 48651

I have audited the financial statements of the business-type activity and major fund of the Roscommon County Transportation Authority for the year ended September 30, 2007, and have issued my report thereon dated October 24, 2007. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated October 21, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Roscommon County Transportation Authority. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Roscommon County Transportation Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Roscommon County Transportation Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Roscommon County Transportation Authority during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MEMBER MACPA and AICPA

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Roscommon County Transportation Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Roscommon County Transportation Authority, either individually or in the aggregate, indicate matters that could have a significant effect on Roscommon County Transportation Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Roscommon County Transportation Authority's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant